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July 23, 2004

## **VIA HAND DELIVERY**

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station, 3<sup>rd</sup> Floor  
Boston, MA 02110

**Re: Direct Energy's Responses to Third Set of Information Requests, D.T.E. 04-01**


Dear Secretary Cottrell:

Enclosed please find for filing in the above-captioned proceeding an original copy of Direct Energy's responses to the Third Set of Information Requests. An electronic copy has also been filed.

Please date stamp the enclosed copy of this letter and return it for our files.

Thank you for your assistance.

Very truly yours,

  
John A. DeTore  
Rebecca L. Tepper

Enclosures

cc: Caroline M. Bulger, Hearing Officer (*1 Copy*)  
Jody Stiefel, Hearing Officer (*1 Copy*)  
Andreas Thanos, Assistant Director Gas Division (*5 Copies*)  
Service List

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

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INVESTIGATION BY THE DEPARTMENT OF  
TELECOMMUNICATIONS AND ENERGY ON  
ITS OWN MOTION INTO THE ASSIGNMENT  
OF INTERSTATE PIPELINE CAPACITY

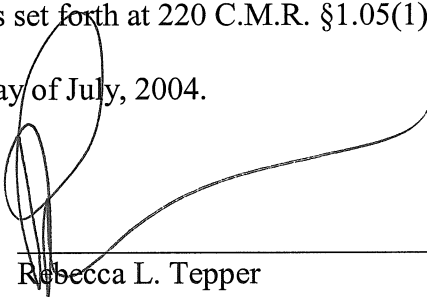
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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the following document: Direct Energy's Responses to the Third Set of Information Requests of the Department of Telecommunications and Energy upon all parties of record via first class mail, in accordance with the requirements of the Department's rules of practice and procedure as set forth at 220 C.M.R. §1.05(1).

Dated at Boston, Massachusetts this 23rd day of July, 2004.



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Rebecca L. Tepper  
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3<sup>rd</sup> Floor  
Boston, MA 02110  
Telephone: (617) 330-7000

Dated: July 23, 2004

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

THIRD SET OF INFORMATION REQUESTS TO  
DIRECT ENERGY MARKETING, INC.

D.T.E. 04-01  
July 23, 2004

Respondent: Patrick Jeffery

DTE-3-1 All parties should comment on whether § 12.3.2 of the model Terms and Conditions presently requires LDCs to provide to marketers the baseload and temperature sensitive algorithms used for non-daily metered customers. If your position is that the section does not require LDCs to provide the algorithms, discuss the specific information this section requires the LDCs to provide and whether the model Terms and Conditions should be amended to provide the algorithms. Each LDC should include in its comments the current practice by the LDC on providing the algorithms to marketers.

Response: Section 13.3.2 of the model Terms and Conditions requires LDCs to communicate the forecasted Adjusted Target Volume (“ATV”) to marketers. The Section also requires LDCs to post information on the consumption algorithm on the LDCs web site. However, the Section as presently written does not require LDCs to provide marketers with the actual consumption algorithm that is used to determine the ATV for each aggregation pool of customers taking non-daily metered distribution service for each day.

Direct Energy believes that the Terms and Conditions should be amended to require LDCs to provide marketers with the consumption algorithm that the LDC uses to forecast the ATV. Direct Energy notes that in Rhode Island New England Gas Company (“NEGC”) includes the consumption algorithm in its transportation terms and conditions. *See* NEGC Terms and Conditions at Section 6, Schedule C, sheets 26-27. As Direct Energy stated in its March 29, 2004 Reply Comments at 14-16, the actual consumption algorithm will allow marketers to replicate the process and results the LDC uses to develop the daily delivery requirements for non-daily metered customers. This will minimize imbalances by allowing better management of supply and demand, which, in turn, will result in lower costs for all customers.

Direct Energy also suggests that some consideration be given to having the LDCs prepare their ATV requirements earlier in the daily cycle. The Model Terms and Conditions currently call for the LDCs to provide ATVs by four (4) hours before the pipeline nomination cycle. *See* Terms and Conditions at Sections 12.3.2(1) and 12.3.5. During extremely cold weather, and ahead of long weekends, it would be desirable to have these deadlines advanced by 30 to 60 minutes.

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THIRD SET OF INFORMATION REQUESTS TO  
DIRECT ENERGY MARKETING, INC.

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DTE-3-2      Some marketers state that modifying the Model Terms and Conditions to require true-ups of actual versus delivered volumes on a monthly basis will encourage more accurate forecasting and lower costs for all participants. In this regard, please:

- (A)      Discuss whether you agree with the statement;
- (B)      Discuss any potential problems to implementing monthly true-ups instead of semi-annual true-ups; and
- (C)      Address whether monthly true ups would address or minimize the need to adjust the algorithms for temperature sensitive usage? If not, please discuss how the data could be made more accurate.

Response:      (A)      Direct Energy agrees with this statement.

                    (B)      Direct Energy is not aware of any potential problems with implementing monthly true-ups instead of semi-annual true-ups, other than possible additional administrative burdens. However, the benefits of monthly true-ups outweigh these possible burdens. As Direct Energy noted in its March 29, 2004 Reply Comments at 16, fn.10, several utility programs such as those offered by Dominion East Ohio and Atlanta Gas and Light currently utilize monthly true-up systems. The monthly true up process will help all parties identify forecasting and usage problems, and it will encourage more accurate forecasting by LDCs, which, in turn, will lower costs for all participants. Given the volatility in the underlying gas market, substantial changes in prices can occur over a six-month period. Under the current system, the parties who have no control over the forecasting bear the risk of inaccurate forecasting and price volatility. Shortening the true-up period from six months to one will provide for a more appropriate allocation of risk.

                    (C)      Monthly true ups will enable validation of the accuracy of the sendout algorithms on a monthly basis, and help identify any bias in the algorithms. Clearly, it is important that the algorithms reflect consumption as accurately as possible. Any temperature-sensitive load predicted by the algorithm should be removed where it does not in fact occur.

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DTE-3-3      Should the Terms and Conditions concerning holiday nomination deadlines be modified to synchronize the nomination schedule over holiday periods with current gas supply industry practice in Massachusetts? Alternatively, does the term “best efforts” by the LDCs as referred to in § 11.3.3 and § 12.3.4 of the Terms and Conditions need further definition to standardize the practices among Massachusetts LDCs? Discuss whether a clarification to the Terms and Conditions that equates the LDCs “best efforts” as referred to in § 11.3.3 and § 12.3.4 with industry-standard trading and nomination schedules for holidays and weekends would satisfy the marketers’ concerns regarding non-standardization of nomination schedules.

Response:      Direct Energy believes that the holiday nomination schedules should be synchronized with the gas industry practice for holiday periods. Currently, the Model Terms and Conditions provides that “nominations on weekends, holidays and non-business hours will be accepted by the Company on a best-effort basis,” for both daily and non-daily distribution service. Direct Energy notes that the Intercontinental Exchange holiday schedule has been the industry standard for the past few years. Direct Energy encourages the Department to adopt this holiday schedule in the Model Terms and Conditions.

In an effort to standardize “best efforts” practices, nominations for daily and non-daily distribution service on holidays and weekends should be allowed either by fax or by a call in to a designated number. *See e.g.*, Consolidated Edison Company of New York, Sales and Transportation Operating Procedures Manual, February 17, 2004; Orange and Rockland Utilities, Inc., Gas Transportation Operating Standards, February 17, 2004.